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SUBJECT: Data Confirm Nicaragua's Economic Decline in 2009

#### Summary

[1](#)1. (U) Data from January-November 2009, the latest period for which figures are available, confirm an economic contraction in Nicaragua of aln

#### Nicaraguan Economy Suffers in 2009

[1](#)2. (U) The Nicaraguan Central Bank's (BCN) Index of Monthly Economic Indicators (IMAE) showed that the Nicaraguan economy contracted by 1.9% t Labor, Employment and Salaries

[1](#)3. (U) The BCN calculates the Nicaraguan labor force to be 2.3 million people, of whom 2 million (or 92%) are currently employed. Of that numt As Expected, Foreign and Domestic Investment Down Sharply

[1](#)4. (U) According to ProNicaragua, the GON's investment promotion agency, foreign direct investment (FDI) in Nicaragua amounted to \$400 millior

[1](#)5. (U) Local investors viewed economic opportunities in a similar light. BCN figures show that domestic fixed capital formation, a key measure Exports to ALBA Countries Boom

[1](#)6. (U) According to the BCN, from January-November 2009, Nicaraguan exports totaled \$1.28 billion, a decrease of 8% compared to the same peric

[1](#)7. (U) Agricultural products represented 34% of total exports, while manufactured products represented 53%, fisheries 6%, and mining 6%. Coffe Inflation Down, and New Base Year for the CPI

[1](#)8. (U) The accumulated rate of inflation in Nicaragua ended at just under 1% in 2009, a welcome decrease from 2008, when inflation was at 14%. Financial Sector Stable, Remittances Decrease

[1](#)9. (U) As of December 2009, total deposits in the Nicaraguan banking system reached \$2.7 billion, of which \$1.66 billion (62%) was held in U.S

[1](#)10. (U) The GON's consolidated debt totaled \$4.8 billion in December 2009, equivalent to 78% of GDP. Of this total, 75% is external debt owed Business Confidence Remains Low

[1](#)11. (U) According to a September 2009 survey performed by FUNIDES (a prominent local economic think tank), 80% of Nicaraguan companies reporte 2010 Growth Estimates

[1](#)12. (U) During a January press conference, Antenor Rosales, President of the BCN, estimated that Nicaraguan GDP will grow 1.5 to 2% in 2010, e Comment

[1](#)13. (U) Undoubtedly the global financial crisis was partly to blame for Nicaragua's poor economic performance in 2009, but domestic political CALLAHAN